

# **Annotated briefing of the results of the inaugural**

# *The Innovation Forum*

**Conducted 14-15  
December 2004**



# The inaugural meeting of *The Innovation Forum*



Alternative  
Futures &  
Scenario Planning  
Discussions

This annotated briefing provides the results of the first Innovation Forum, convened at the U.S. Naval War College in Newport, RI, on 14-15 December 2004. The inaugural meeting addressed a request by the Deputy Chief of Naval Operations for Plans, Policy, and Operations (N3/N5) to examine alternative futures in which the Navy might have to operate.

The briefing follows the basic outline of the discussion as it unfolded over the day and a half of the conference. It provides a sense of the discussion that took place rather than verbatim comments.

It will be tailored for delivery in a number of venues including briefings to conferences, to individual CEOs, and to Navy leadership. Your comments and recommendations are invited.

# Today's Discussion

- **Why an Innovation Forum? Why your reaction and insights?**
- **Exploring the international security environment**

**OSD planning framework & Alternatives Futures**

- **Indicators and Implications**

**Scenario Dynamics Grid**

**Near Certainties – Critical Uncertainties –  
Strategic Choices**

- **Digging Deeper:** personnel, training, education, economics, leadership, shore facilities, fleet infrastructure, materiel, doctrine, & organization

Self-explanatory

# Why an Innovation Forum?

- The Innovation Forum examines national security issues from a number of perspectives (examining security within the context of everything else)
- The Innovation Forum involves a broad group of senior leaders from a cross-section of industry, government, and other organizations who can provide insight/vision into future trends and challenges
- It provides a cost effective way to expand outreach and gain informed input about global trade, technology, & economic issues
- Future topics will be solicited from numerous sources both inside and outside the national security community

The Innovation Forum was established because we were convinced that security is too often explored only within the context of conflict. Work that we performed with the Cantor Fitzgerald bond brokerage firm was much better informed and more influential than it would have been had it only reflected the views of the defense community. As we discussed this work with industry representatives, we found that they shared our view on the advantages of getting multiple perspectives.

The Innovation Forum finds itself operating in a unique time. Long-held assumptions are being questioned at every level of the military. Joint operations are rapidly becoming interagency operations. Old alliances are being strained, even as new coalition partners are being courted.

Against this backdrop, the Innovation Forum provides a venue that senior Navy leaders can use to help them explore complex issues that will confront them in the years to come.



## December 2004 Participants



This slide depicts many of the organizations represented at the inaugural meeting of the Innovation Forum. That meeting underscored our belief that a diversity of participants is one of the great strengths of this particular research approach.

# Why Your Reaction and Insights?

- Your perspective about the direction the world is heading is just as important to strategic planners as those in the political and security fields
- Many innovative approaches being adapted by the Services in the areas of information technology, logistics and personnel began in the commercial sector
- National security and commercial interests intersect at the desire to foster a peaceful and prosperous world
- You can help us identify areas we might not have discussed but are nevertheless critical to consider
- What should the Navy do to apply your lessons learned?



Some whom we invited to the inaugural meeting of the Forum were unable to participate. We intend to offer this briefing to them and solicit their reaction. Their insight and vision into forces shaping the future within their area of expertise will help us refine our product and increase its value.

Industry leaders face many of the same challenges as the military. How they are preparing to meet these challenges could help military leaders select effective courses of action. At the least, they will provide naval leadership with insights to help them better understand the multiple trends shaping the future.

**[The FedEx logo is a placeholder for tailored briefs. Fred Smith, CEO of FedEx, will likely be the first recipient of the briefing. The slide will be tailored for each audience to whom it is delivered. ]**

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- Indicators and Implications

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### Near Certainties – Critical Uncertainties – Strategic Choices

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## **The Current National Security Context**



- The Defense Department has moved from threat- to capabilities-based planning
- Those in favor of the change argue that it is a good thing not to single out any particular threat (e.g., China), which could turn the planning strategy into a self-fulfilling prophecy
- Those against the change have argued that it is a ploy to justify every possible weapons system the Pentagon may desire
- Capabilities, however, must be placed in some context
- The inaugural Innovation Forum explored forces that could shape the future and discussed how they relate to the implied DoD alternative futures framework

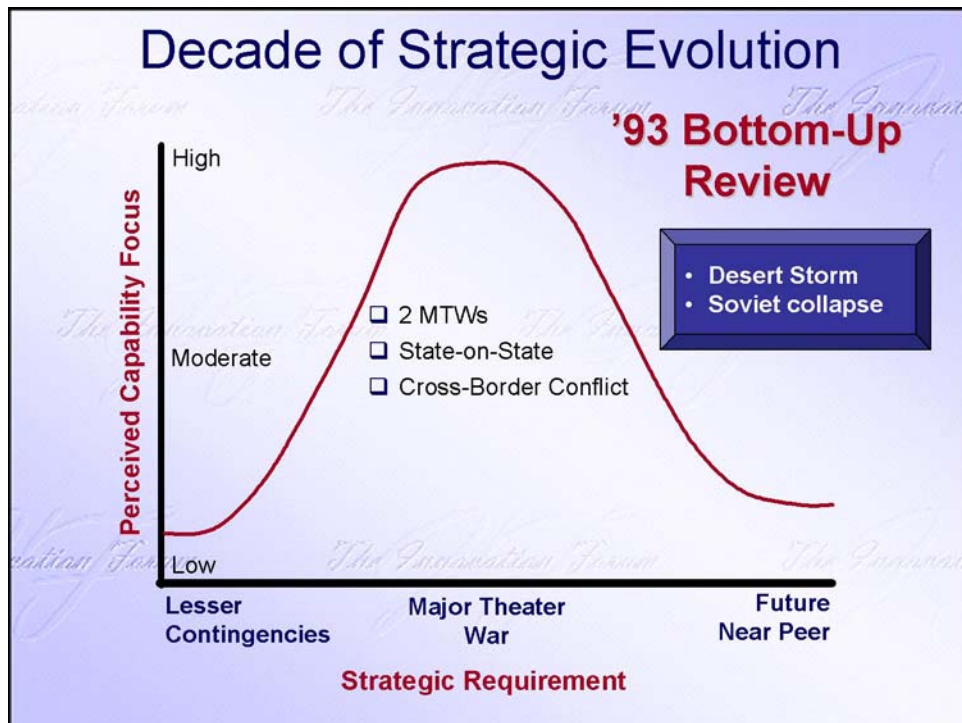
**[Some of the CEOs to whom the briefing will be delivered have little or no background in national security affairs. The first part of the briefing serves as a tutorial on the latest Pentagon thinking and will only be offered to those interested. The slides reporting the outcome of Innovation Forum discussions will also be tailored to the level of knowledge and interest of the target audience.]**

As the following slides show, the Pentagon has struggled since the end of the Cold War to frame an organizing principle around which its forces and programs could be sized and shaped. The latest effort is to use capabilities-based instead of threat-based planning. This approach has attracted both proponents and critics.

Those critical of the process insist that some specific context must be provided in order for decisions to be relevant and effective. That is one reason the Deputy Chief of Naval Operations for Plans, Policy, and Operations (N3/N5) is interested in exploring alternative futures and scenario-based planning.

Proponents of capabilities-based planning believe it better reflects the uncertainty that characterizes the security landscape. It also avoids making military strategic planning a self-fulfilling prophecy about who will be future enemies of the United States—creating adversaries where none need exist.



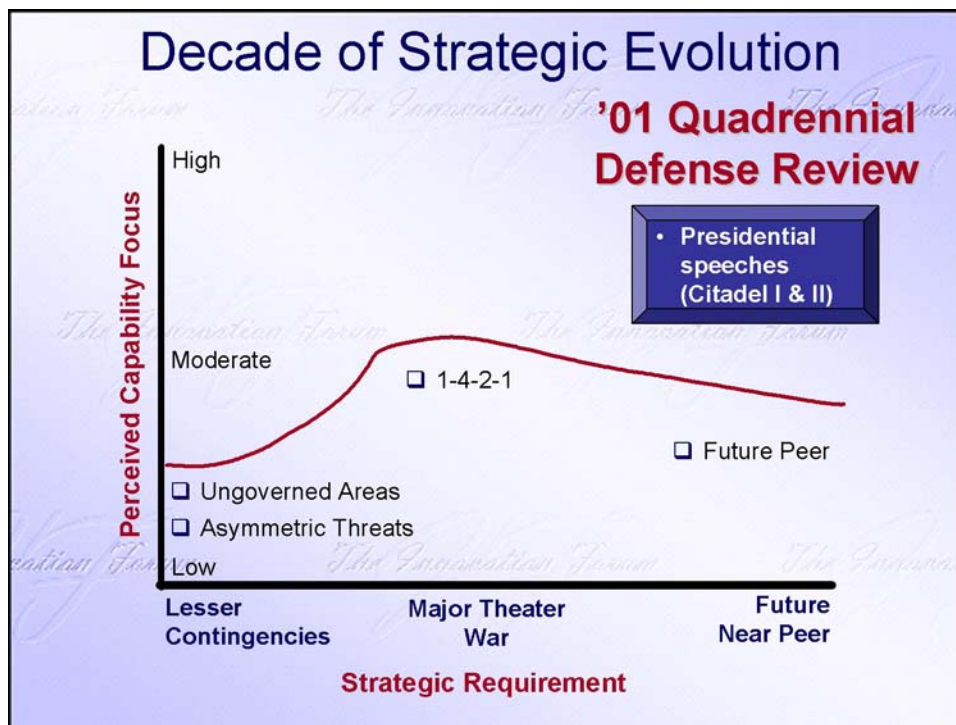


Following the end of the Cold War, Secretary of Defense Les Aspin realized that a new force sizing paradigm would have to be developed. For 50 years, the military had used the Soviet Union as the standard against which it measured its force size and composition. With the demise of the Soviet bloc, a new standard was needed. In the 1993 Bottom-Up Review, Aspin introduced the two major theater wars (2MTW) standard. The focus, however, remained on state-on-state, cross-border conflicts. This was the focus the Services desired because it matched current force structure with anticipated missions. Aspin and other military leaders felt US success in the Gulf War justified the new standard.



By the time the first Congressionally-mandated Quadrennial Defense Review was drafted, the global security environment had changed significantly. The euphoria of the Gulf War was quickly replaced by the reality of the situations in Somalia, Bosnia, Rwanda, and Haiti. None of these situations involved the classic state-on-state, cross-border conflict that formed the basis of strategic planning within the Pentagon. These were messy situations in which the military was loathe to get involved. The Pentagon gave these situations the pejorative label “military operations other than war.” Cries of “mission creep” were raised in nearly every new operation. Nevertheless, many forward thinking planners in the Pentagon realized such messy situations were likely to become the norm, and they received more attention as a result.

At the same time, military leaders realized the transformation trajectory upon which they preferred to embark required a single, menacing adversary possessing military capabilities that could challenge our most sophisticated weapon systems. They therefore began focusing on the potential threat from an “industrial age near peer” – a thinly disguised reference to China.

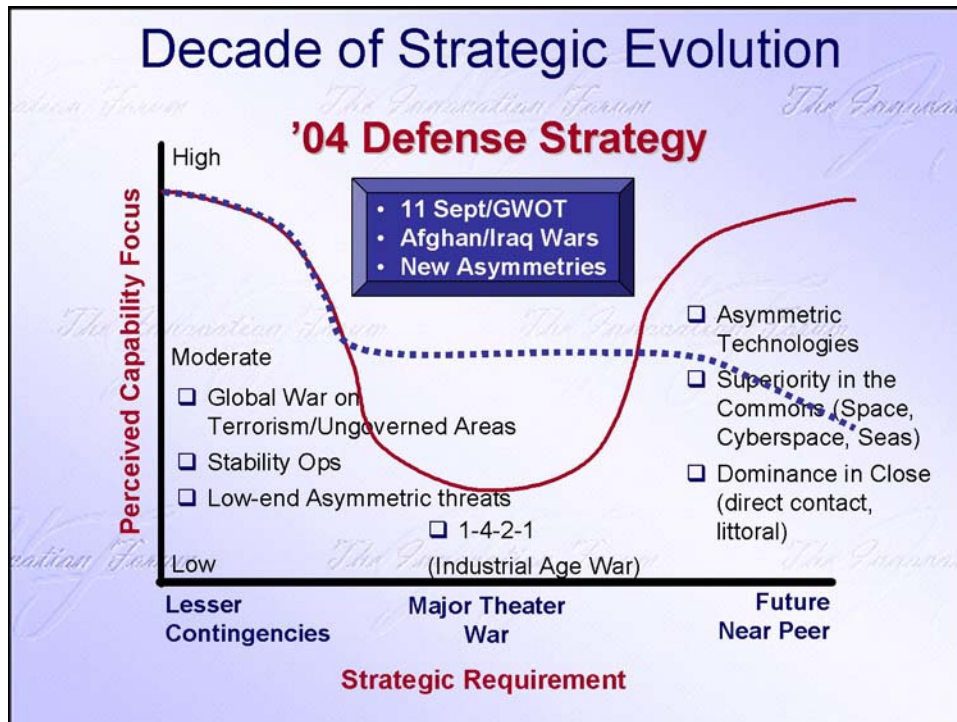


By the time of the second Quadrennial Defense Review, a new administration had entered office promising two things: military transformation and more attention to great power relationships. The “industrial age near peer” was promoted to a “future peer.”

At the same time, the messy internal conflicts that characterized much of the 1990s remained a prominent feature on the security landscape and continued to demand more Pentagon attention. The new administration also formulated a new force sizing standard, the 1-4-2-1 Defense Strategy. This strategy called for defense of the homeland while deterring forward in and from four regions. U.S. forces were to be ready to swiftly defeat adversaries in two overlapping campaigns, with the capability of winning decisively in one of them for an enduring result. At the same time, the military was to be capable of engaging in a limited number of lesser contingencies.

Force Structure: 1-4-2-1

- 1 - Defend homeland
  - 4 - Deter forward in/from 4 regions
  - 2 - Defeat swiftly in 2 overlapping campaigns
  - 1 - Win decisively in one with enduring result
- Limited number of lesser contingencies

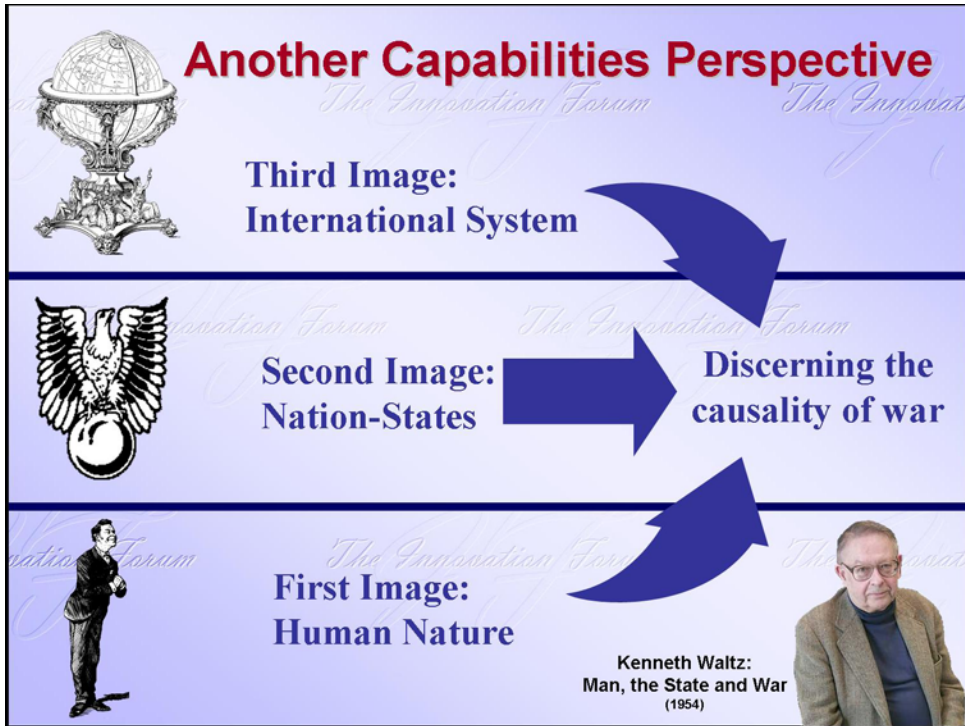


The terrorist attacks of 11 September 2001 changed everything. No longer are “lesser contingencies” really considered lesser. It became obvious that non-state actors could generate international perturbations that heretofore had been considered possible only by states. At the same time, the Pentagon is reluctant to abandon plans and programs that focus on state-on-state, cross-border, future peer conflict. The result is a bifurcated mission focus that is generating continued debate.

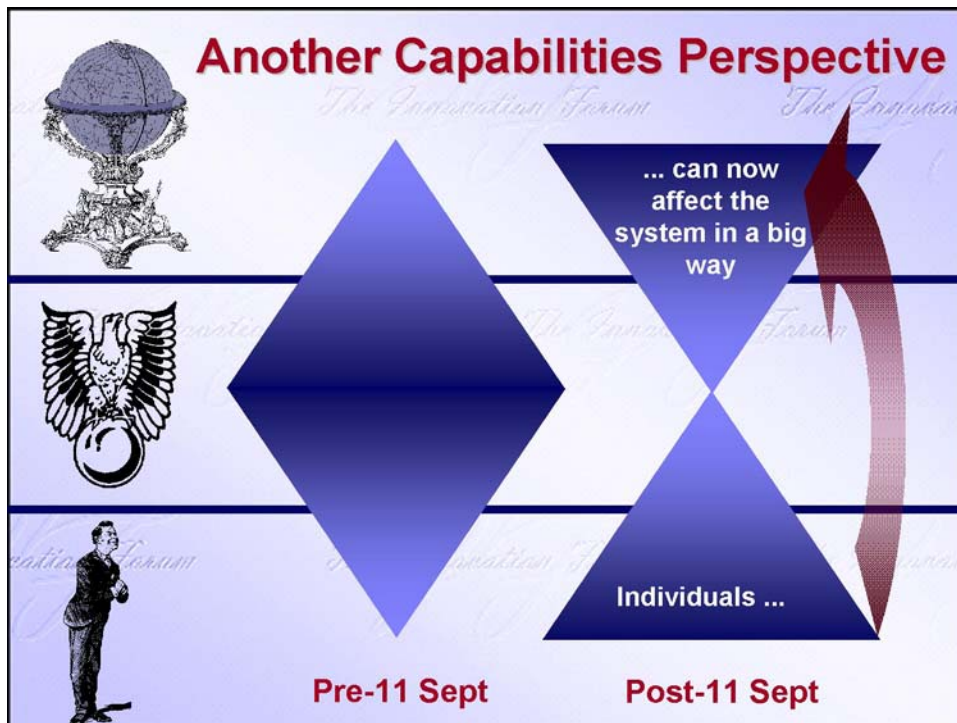
The 2004 Defense Strategy concedes that a major conflict with a future peer is unlikely, even as its program focus in that area (represented by the solid line) remains high. The dotted line indicates what the program focus would be if rhetoric matched reality.

The point is, if you look at the “hump” in the middle of all preceding graphs and compare it to the “slump” in this one, there is only one possible conclusion: the military force is currently unbalanced for the challenges of the future.



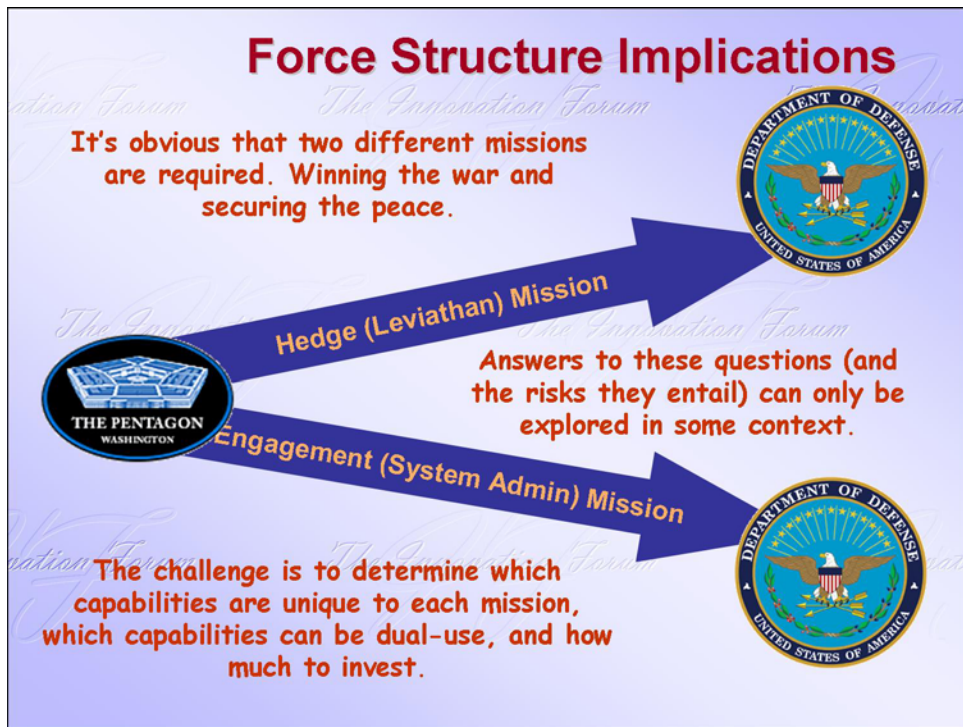


Another way of viewing this imbalance is through a paradigm introduced by Kenneth Waltz in his seminal book *Man, the State and War*. Waltz examined war on three levels: the individual, the state, and the system.



Using Waltz's 3-tiered approach, the "hump" shown in previous slides is found at the state level (represented by the "fat" portion of the diamond on the left). The "slump" shown on the last of the strategy development slides is represented by the narrow portion of the hourglass figure on the right.

Showing the imbalance in this way makes it clear why it is important to rebalance the military to deal with threats at the individual level.



Former Naval War College professor Thomas Barnett discussed this force imbalance in terms of different mission sets, requiring different forces—a “Leviathan” force to conduct war and deter peers and a “System Administration” force to help create the stability necessary to secure the peace and attract private investment to foster development.

The Department of Defense is unlikely to devolve into two separate departments—one for the hedge force and one for the engagement force. Nevertheless, determining how to restructure and resize forces so that resources are appropriately allocated between these two missions is becoming a burning issue within and among the Services. A key indicator is the radical change in emphasis in the defense budget for FY06, which shifts priority from new high-tech weapon systems to beefing up conventional ground forces.

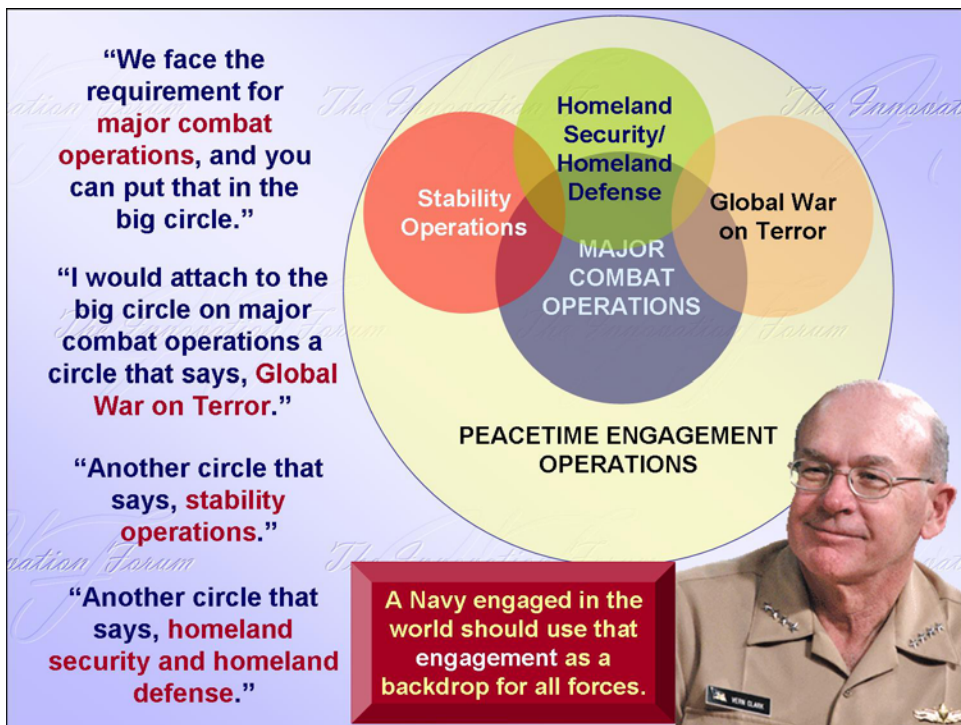
**“The strategic landscape is changing in front of our eyes. ... My conclusion that I’ve stated openly is this – that our Navy is not correctly balanced and optimized for the ... future that we’re facing. The Navy that we possess today must be reshaped to deal with the challenges that we have in the future.**

**“... It strikes me that we are at a point in history ... that building a force set that is designed only to deal with the circle that includes major combat operations ... is the incorrect approach to building the force set of the future.”**



In a January 2005 address to the Surface Navy Association, the Chief of Naval Operations, Vern Clark, admitted that the Navy is “not correctly balanced and optimized.” This is a major shift in thinking since the Navy has been considered THE force when it comes to dealing with the most likely future peer—China. He didn’t go as far as indicating exactly how he would restructure the Navy’s force structure, but he did admit that building a force only to deal with major combat operations was the wrong approach.





Clark talked about four circles that need to be addressed: major combat operations, global war on terrorism, stability operations, and homeland security/homeland defense.

If, however, the Leviathan/System Administration approach becomes the accepted standard, then peacetime engagement operations may be the backdrop against which all other operations are mounted.

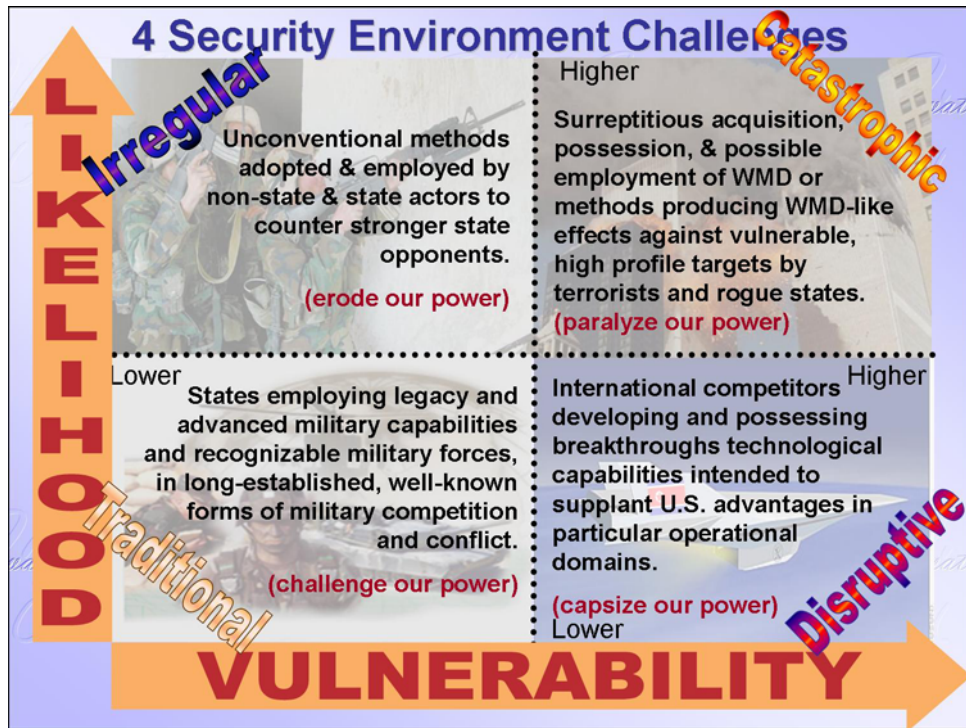
Clark's admission about the Navy's imbalance also has wide repercussions in areas other than force structure (such as manning, logistics, and training).



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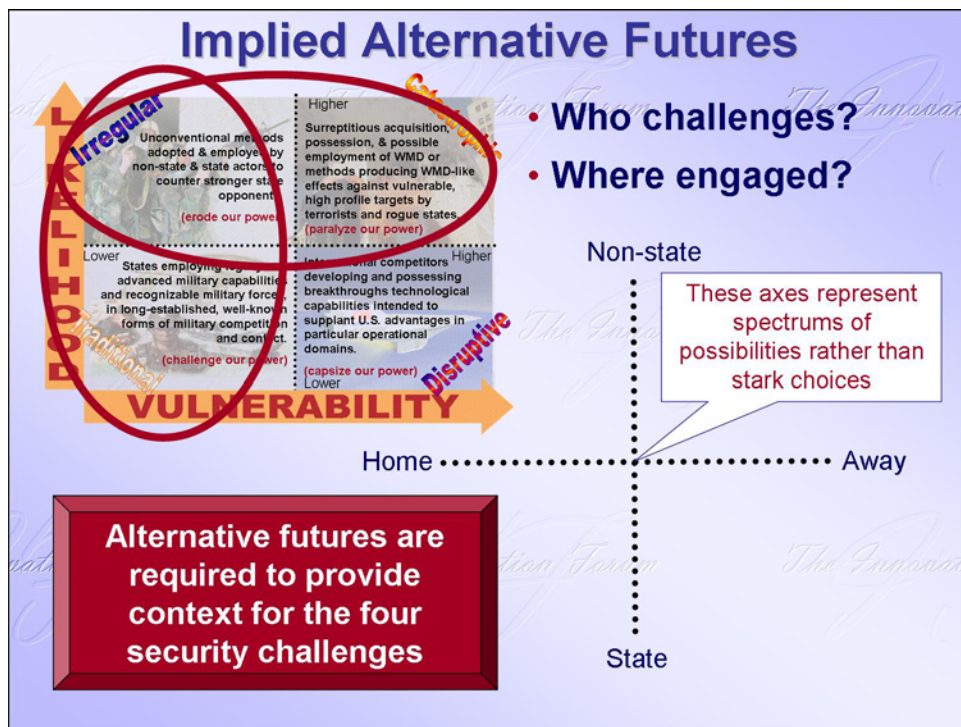
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The 2004 Defense Strategy lists four security challenges that could face U.S. military forces in the future. These challenges are located on the quad chart shown above and arrayed in terms of their likelihood of occurrence and the country's vulnerability to them.

These challenges were developed to help military planners focus their efforts. The problem, however, is that by themselves these challenges provide little context. The challenges could be found in any number of alternative futures and it is those futures that provide the context that is really required to explore reasonable alternatives and assess risk associated with strategic choices.



We realize there is a danger of generating some confusion by juxtaposing OSD threats with the new parameters of state/non-state and home/away, because the quadrants don't coincide. They aren't supposed to. Three of the four threats would almost certainly be "away" games; the only one where America's paramount fear for the homeland is terrorist use of WMD. And even for that one, the U.S. is more likely to succeed if it focuses on preventing acquisition of the capability somewhere overseas than if it focuses on preventing WMD being smuggled in. Nevertheless, those challenges do not represent alternative futures or scenarios in which America's greater security options can be discussed.

The challenges do contain some implied parameters that can be used to frame an alternative futures structure. The traditional quadrant, for example, clearly captures the historical planning paradigm of state-on-state conflict, while the irregular quadrant underscores the fact that we are now engaged in a war against non-state actors. These two parameters can be placed on one axis (the vertical in our case). The challenges also imply that the United States will focus on defeating enemies abroad while protecting the homeland. These parameters can be placed on the other axis to complete a new alternative futures construct.

Some Innovation Forum participants objected to the notion that the future could be broken into stark choices. It was pointed out that the choices represent extreme ends of two spectra and not "either/or" conditions.

The alternative futures created in each quadrant must be different enough that meaningful choices about the strategies, policies, and forces required to meet challenges found there can be made. If the same strategies, policies, and forces can be used in every future, then there is no real value in conducting the exercise.



## **“Smart organizations ...**

**... consider the longer-term effects of their actions. Some do this formally – Shell’s forecasters create ‘scenarios’ for world geopolitics stretching half a century forward ...**

**Thinking more systematically about decisions may take a little extra time and effort, but it’s far easier and infinitely smarter than racing toward the next fire.”**

**Jeffrey Pfeffer**

**Thomas D. Dee II Professor of Organizational Behavior  
Graduate School of Business  
Stanford University**



The strategic use of alternative futures is generally attributed to the Shell Corporation and Peter Schwartz (see *The Art of the Long View*). As Jeffrey Pfeffer notes, this approach helps organizations think more systematically about decisions and helps pry them from the natural tendency to extrapolate the present into the future.

## Alternative Futures



### Alternative futures ask:

- What would the world look like if certain trends were taken to their logical conclusions?
- How would the nation and its military respond?
- What are the strategic and force structure differences between those responses?
- What are the risks of accepting one future/response/force structure over another?
- What are the opportunity costs?

**The examination of extremes presupposes that potential real futures lie somewhere within them**

Alternative futures analysis can help organizations answer a number of very important questions, the hardest of which involve assessing risks and opportunity costs.



The quadrants generated in the alternative futures quad chart possess unique characteristics. We labeled the futures: Fortress America, Firewall America, On the Beat, and S.W.A.T. In the following slides, we delve a little deeper into some of the characteristics that might be found in each of these futures. As we begin, we again remind the reader that these futures represent the world that would exist if certain trends were carried to their logical extreme. The examination of extremes assumes that potential real futures lie somewhere within them. These futures are not meant to be predictive.

## Fortress America

- **Globalization fails and world splits into regional economic & defense blocs**
  - ✓ **Americas** (North, Central, & South)
  - ✓ **Europe** (Russia is wild card)
  - ✓ **East Asia** (India is wild card)
  - ✓ **South/Southeast Asia** (if India out of East Asian bloc)
  - ✓ **Middle East is a wild card**
- **Resurgence of balance of power politics (i.e., shifting ties as conditions change)**
- **Internal bloc security is as great a concern as inter-bloc relations**
- **Some outliers (such as Israel & South Africa) have strong bloc ties**



The two principal characteristics of this quadrant are that it focuses on protecting the U.S. from a future peer (or other states) by focusing on protecting America's borders. A completely isolationist America would be the ultimate extreme, but this future does not go that far. It posits the return of balance of power politics without completely reversing all of the interactions associated with globalization. This future envisions the rise of a number of economic and defense blocs.

The rise of such blocs is not unthinkable. Near the time the Innovation Forum was held, China inked a deal with ASEAN nations. Japan and India were also at the ASEAN meeting. Russia's President Putin is pushing for a strengthened BRIC (Brazil, Russia, India, China) grouping which would link two of the globe's fastest growing economies with the world's largest source of natural gas and one of the world's breadbasket nations. One Indian observer writes, "Russian President Putin has nationalized the Yukos oil company – the largest oil producer of Russia. It is evident that the West and BRIC will confront each other during the next ten years on energy. As Russia is pushed back by the Western nations, especially America, Putin leads the BRIC alliance and plays the oil trump card. All said and done, the world is already fighting a cold war on crude oil. As China, India and Brazil grow, their oil appetite will make them glued to Russia and each other." (*India Daily*, 4 Jan 2005)



## Firewall America

- Most of the globalized world (except the U.S.) cuts a “virtual” deal with militant Islam

- ✓ Policies favor Palestinians
- ✓ No forces in Middle East
- ✓ Robust business relations
- ✓ Civil liberties for large Muslim populations



- Alliances are strained or disintegrate (intelligence suffers)
- Terrorists free to focus on regional regime change and America, making homeland defense/homeland security top U.S. priority
  - ✓ Illegal immigration
  - ✓ Smuggling of WMD
  - ✓ Internal terrorist cells

**Fortress America posture  
but with no blocs**

Firewall America still focuses on protecting the homeland, but stresses threats by non-state actors, such as terrorists, rather than states. Fortress America is like living in a gated community. People inside the community can stop any unwanted traveler from driving through their streets. The concern for those living in the future encompassed by Firewall America also want to keep that traffic out, but they must also worry about the plumber or electrician who might be a criminal in disguise. Just as firewalls are meant to keep viruses out of home computers, measures in Firewall America are taken to keep unwanted non-state actors out of the country.

The problem is made all the more challenging in this future because globalization remains on course, which means that capital, goods, and people must be free to flow. There are numerous indications that this future is not out of the question. Shrill voices such as CNN's Lou Dobbs insist, “No matter how much money or manpower is required, we must be able to control the flow of people and goods across our borders and through our ports. We must exact heavy penalties on businesses, large and small, as well as individuals who hire illegal aliens.” (U.S. News, 31 Jan 2005)